

Amendment No. 3 to HB0512

McCormick
Signature of Sponsor

AMEND Senate Bill No. 484

House Bill No. 512*

by adding the following language as a new section immediately preceding the effective date section:

SECTION __. Tennessee Code Annotated, Title 49, Chapter 3, Part 3, is amended by adding the following language as a new section:

(a) The kindergarten through grade twelve (K-12) trust is created. The K-12 trust shall be established and funded under the following terms and conditions:

(1) The trust shall be a revocable trust that the state treasurer shall administer. The attorney general and reporter shall approve the terms of the trust instrument. The trust shall consist of the K-12 trust endowment account and the K-12 trust special reserve account;

(2) The trustees of the trust shall be as follows:

- (A) The state treasurer;
- (B) The comptroller of the treasury;
- (C) The secretary of state;
- (D) The commissioner of education; and
- (E) The commissioner of finance and administration;

(3) The state treasurer shall serve as the chair of the trustees and shall preside over all meetings and proceedings of the trustees;

(4) The trust may invest in any security or investment in which the Tennessee consolidated retirement system is permitted to invest; provided, that investments by the trust shall be governed by the investment policies and guidelines adopted by the trustees of the trust in accordance with this section.

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The state treasurer shall be responsible for the investment and reinvestment of trust funds in accordance with the policies and guidelines established by the trustees;

(5) The trust shall be initially funded in fiscal year 2017-2018 by a deposit of the sum of fifty-five million dollars (\$55,000,000) into the K-12 trust endowment account. Additional deposits may be made in subsequent fiscal years through a general appropriations act;

(6) The initial deposit shall constitute the principal of the trust. Trust income, as defined in this section, shall not increase, or constitute an addition to, the principal of the trust, but shall be placed in the K-12 trust special reserve account;

(7) The principal of the trust shall not be expended for any purpose but may be transferred to the revenue fluctuation reserve in accordance with subsection (b). Trust income, less an amount necessary to administer and invest trust funds, shall be held in reserve for a future program to aid kindergarten through grade twelve education initiatives;

(8) Unexpended funds remaining in the trust in any fiscal year, whether principal or funds in the K-12 trust special reserve account shall not revert to the general fund; and

(9) The funds transferred to this trust may be commingled with, co-invested with, and invested or reinvested with other assets transferred to the trust. All or a portion of the trust may be invested, reinvested and co-invested with other funds, not a part of the trust, that are held by the state treasurer,

including, but not limited to, assets of the Tennessee consolidated retirement system and the state pooled investment fund established pursuant to title 9, chapter 4, part 6. The state treasurer shall account for such trust funds in one (1) or more separate accounts in accordance with this section and other law.

(b) Upon recommendation of the commissioner of finance and administration, moneys in the K-12 trust endowment fund may be transferred to the revenue fluctuation reserve in any year in which the revenue fluctuation reserve is used to meet unexpected shortfalls of revenues; provided, that any transfer shall be made in accordance with an appropriations act approved by the general assembly.

(c) For the purposes of this section, "trust income" means the income from the trust's investment portfolio from whatever source derived, including, but not limited to, interest, dividends, and realized capital gains or losses;